

# Ensuring Project Compliance in Year One

The logo for Housing Credit Connect features a stylized orange graphic on the left consisting of three L-shaped blocks. To the right of this graphic, the words "HOUSING", "CREDIT", and "CONNECT" are stacked vertically in a bold, dark blue, sans-serif font.

**HOUSING  
CREDIT  
CONNECT**

The logo for the National Council of State Housing Agencies (NCSHA) 50th anniversary. It features a stylized American flag icon above the text "NCSHA" and "50 YEARS" below it.

**NCSHA**  
50 YEARS

National Council of  
State Housing Agencies

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# Ensuring Project Compliance in Year One



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## Discussion Focus

1. Year 1 Goals
2. Documentation
3. Common Issues of Noncompliance
4. Examples of Impact of Noncompliance
5. Adjusters
6. Tips for Successful Year 1

# YEAR 1 GOALS

# Year 1 Goals

There are three main goals to meet in Year 1

1. Meet the Minimum Set-Aside for the Project
2. Meet the Target Applicable Fraction for each BIN
3. Meet Investor Credit Delivery Commitments

# Perspectives

State Housing Agency



# State Housing Agency



**Management/Development**



## State Housing Agency



## Investor/Syndicator



## Management/Development



State Housing Agency



Investor/Syndicator



Management/Development



Consultants



**State Housing Agency**



**Investor/Syndicator**



**Management/Development**



**Consultants**



# Year 1 Goals

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- 2. Meet the Target Applicable Fraction for each BIN**
- 3. Meet Investor Credit Delivery Commitments**

State Housing Agency



Investor/Syndicator



Management/Development



Consultants



## Year 1 Goals

There are three main goals to meet in Year 1

1. Meet the Minimum Set-Aside for the Project
2. Meet the Target Applicable Fraction for each BIN
3. Meet Investor Credit Delivery Commitments

# Goal: Meet the Minimum Set-Aside for the Project

**c** Elect minimum set-aside requirement (section 42(g)) (see instructions):

20-50

40-60

Average income

25-60 (N.Y.C. only)

## Federal Set-Aside Election Deadlines

A project must satisfy the Minimum Set-Aside by the last day of the year it is placed in service, unless credits are deferred. If credits are deferred, the MSA must be met by the last day of the year following the year the project was placed in service..

Failing to meet this requirement for the first year of the credit period will result in a **permanent loss of the entire credit.**



Note: IRS Covid Waivers

# Goal: Meet the Minimum Set-Aside for the Project

## Minimum Set-Aside Violation

**Initial Test:** If the Minimum Set-Aside test is not met by the deadline (by the end of the year placed in service, or the end of the next taxable year when credits are deferred), this violation results in a permanent loss of the entire credit. **This noncompliance event cannot be corrected.**

**Ongoing Test:** If the project meets the minimum set-aside by the end of the first year but fails to meet the minimum set-aside at the close of a subsequent taxable year in the Compliance Period, the entire credit is lost for that year

**Real World Problems We See:** From an auditor, property management/lease-up and syndicator perspective

**Acquisition/Rehab -- This is a moving target**

# Goal: Meet the Target Applicable Fraction



Meeting the Target Applicable Fraction is imperative to ensure that the Taxpayer is able to claim the entire amount of credits allocated to a building. The applicable fraction is part of the formula used to determine a taxpayer's annual credit. Not meeting the target applicable fraction will reduce the amount of credits that the taxpayer is able to claim through the credit period.

# Goal: Meet the Target Applicable Fraction

The Applicable Fraction is determined by the LESSER of the following two calculations:

Unit Fraction – Total Tax Credit Units divided by all residential units

$$\frac{\text{Total Tax Credit Units}}{\text{All Units}}$$

Floor Space Fraction – Total Tax Credit Square Feet divided by all residential square feet

$$\frac{\text{Total Tax Credit Sq. Ft.}}{\text{All Units Sq. Ft.}}$$

# Goal: Meet the Target Applicable Fraction

## Included in the Calculation:

- ✓ **All Residential Units, this includes:**
- ✓ **Model Units**
  - Model units are residential units, even if never occupied.
  - The cost of the model unit can be included in Eligible Basis.
  - Model units are never considered a tax credit unit unless the unit is rented to a low-income tenant.

## Excluded from the Calculation:

- × **Common Areas and Any Non-Residential Areas**
- × **Exempt Employee Units**

Exempt employee units are commonly referred to as a “manager’s unit”

Exempt employee units must be occupied by full-time employees of the property (i.e., manager, maintenance, or security staff)

# Goal: Meet the Target Applicable Fraction

## Units Added After Year 1

- If the target applicable fraction is not achieved by the end of the first year of the credit period, the taxpayer may add LIHTC units in later years. However, when a Low-income unit is added after year one of the credit period, it no longer receives the full credit.
- The owner does not receive the accelerated portion of the credit and is only permitted to claim 2/3rds of the credit through the end of the 15-year compliance period.
- This adjustment is accounted for on the 8609A Line 7-12.
- NOTE: The 2/3 credit adjustment is only completed when the current year's qualified basis exceeds the original qualified basis on the 8609 Line 8a, as determined at the close of the first year of the credit period.

# Goal: Meet Investor/Agency Credit Delivery Commitments

Failing to meet credit delivery commitments to the project's investor will lead to financial penalties known as adjusters.

- Timing: First year credits
- Price: Total 10-year deliverable
- State HFA - Importance of communication

**DOCUMENTS**

**&**

**DATA**

# Documents & Data – Preparing For Lease up

## Compliance Documents

- 8609s
- Credit Application
- Student Test (tied to credit delivery)
- LURA /Extended Use Agreement
- Utility Allowance Data
- Placed-in-Service Dates
- All stakeholders need all items



# Documents & Data – Preparing For Lease up

## Investor/Syndicator Documents

- Partnership Agreements
- Utility allowance source document
- Income limit charts for all layered programs
- Placed in Service dates
- Tax Credit Application
- Tenant Selection Plan
- Tenant Relocation Plan & Rehab Schedule (Acq-Rehabs)
- Property Compliance Profile





**PROPERTY COMPLIANCE PROFILE**

This form is to be completed by management. Management & General Partner must confirm the validity of the information on this form by signing and dating the last page.

Person completing form:		Title:	
Email:		Phone #:	
Management Company:		Management Contact:	
Email:		Phone:	
Partnership Name:		Property Name:	
Property Address (include county)			

Total # of buildings		Total # of residential buildings	
Total # of units		Total # of exempt units	
Total # of LIHTC units		Total # of accessible units	

Type of Project	<input type="checkbox"/> Family	<input type="checkbox"/> Elderly 55+	<input type="checkbox"/> Elderly 62+	<input type="checkbox"/> Special Needs
If Special Needs, describe:				
Minimum Set-Aside (LIHTC)	<input type="checkbox"/> 20/50	<input type="checkbox"/> 40/60	<input type="checkbox"/> Average Income	<input type="checkbox"/> 25 / 60 NYC Only
Minimum Set-Aside (Tax Exempt Bond)	<input type="checkbox"/> 20/50	<input type="checkbox"/> 40/60		
Check any additional financing / subsidy programs	<input type="checkbox"/> HUD <input type="checkbox"/> RHS/RD <input type="checkbox"/> Tax Exempt Bonds <input type="checkbox"/> HOME <input type="checkbox"/> Other (describe): _____			
Deep Rent Skewing 15/40 (Line 10d on 8609)	<input type="checkbox"/> Yes <input type="checkbox"/> No			
List any additional targeting:				
If additional financing / subsidy applies, list number of units applicable and other specifics:				
Check all tenant-paid utilities:	<input type="checkbox"/> Electric <input type="checkbox"/> Water <input type="checkbox"/> Sewer <input type="checkbox"/> Trash <input type="checkbox"/> Gas <input type="checkbox"/> Other: _____			
Check all owner-paid utilities:	<input type="checkbox"/> Electric <input type="checkbox"/> Water <input type="checkbox"/> Sewer <input type="checkbox"/> Trash <input type="checkbox"/> Gas <input type="checkbox"/> Other: _____			
List UA Source (USDA-RD Approval Letter / HUD Rent Schedule / PHA Chart / Estimate, etc.)				
Anticipated First year of credit period				



**PROPERTY COMPLIANCE PROFILE**

Will all buildings be claimed in the same year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Will all buildings be treated as part of a multiple building project? (Line 8b on Form 8609)	<input type="checkbox"/> Yes <input type="checkbox"/> No

**For Acquisition / Rehab:**

Is this project a resyndication?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Date of credit allocation/reservation:	
Date of acquisition (date of purchase)	
Will this be an in-place rehab (no residents scheduled to relocate out of their units)	<input type="checkbox"/> Yes <input type="checkbox"/> No

**For New Construction / Gut Rehab:**

Date of credit allocation:	
Actual date of C.O.'s	

List any additional comments:

Please submit the following documents along with this completed form:

- Current rent roll (generated by management's software)
- Applicable utility allowance schedules (actual source documents)
- Applicable income limit charts for all layered programs (actual source documents)
- Tax Credit Application
- Current Tenant Selection Plan, Grievance Policy & Rejection Letter
- For Rehabilitations: Copy of tenant relocation plan and schedule

Acknowledged by Management                      Print Name                      Date

Acknowledged by General Partner                      Print Name                      Date



# Documents & Data – Preparing For Lease up

## Investor/Syndicator Documents

- New Construction/Gut Rehab:
  - Introductory call: initiated approx. 70% completion of construction
  - Required reporting:
    - Weekly – traffic report
    - Monthly – rent rolls, and qualified occupancy report
- In-Place Acquisition-Rehab:
  - Introductory call: timed based on projected credit delivery schedule
  - Required reporting:
    - Monthly - rent roll - effective as of acquisition (Acq-Rehabs) and qualified occupancy report



# Common Issues of Noncompliance

# Utility Allowance Issues

- Project Unable to provide a documented source
- Source provided does not appear to meet IRS Regs (26 CFR § 1.42-10)
  - HUD or RHS figures not used where appropriate

# Utility Allowance Issues

- Utility Allowance provided is not the correct year.
  - When the correct year is provided, unit(s) are not rent restricted.
  - Problems compound exponentially when rents are at the max.

# Utility Allowance Issues

- Source conflicts- amounts listed on TICs do not match the verified source.
- Easy to calculate incorrectly
- Utility Allowances can be complicated, but you cannot get wrong Year 1
- Some Utility Allowance methodologies can result in a much higher rent at the site (perhaps not underwritten that way)

# Examples

- Project utilized “self-estimate” for Project A but it was for a project they own in a different county. Didn’t seem correct. Usually, we just see a third-party handling so this caught our eye.
- Eventually project did get an actual estimate for the Project A. There was a dollar difference the wrong way. Rents were at MAX. If the new (seemingly correct) estimates are used, a number of units not rent restricted. Owner refusing to use.
- In addition, there are some project-based HUD subsidies at the project. May be vouchers. We questioned that the HUD UA figures should be used for all units. Owner was adamant the project was not HUD regulated. Many units would not be rent restricted if HUD UA’s were used.
- We spoke with State Monitoring agent on this issue. From the monitor, it seems that as long as projects provide a utility allowance that looks reasonable, it is accepted. He felt their(state) documentation on utility allowances was a bit weak in their manual and would benefit from additional clarification. They stated that if the project verified their UA’s from from an approved/recognized source there would be no issue.

# Third Party Utility Billing

We recently viewed a 3<sup>rd</sup> party utility billing that was overcharging all tenants for the metered utilities. Project did not catch it until way late.

The Dominion example: A \$20 Million loss, huge credit loss potential, still not closed out. Lessons learned:

1. Have a review of UA contractors' studies, no different from the State HFA test
2. Know how 3rd Party billing providers bill your residents
3. Critical to perform a deep review of UAs with multiple reviewers PRIOR to implementing, even if a State HFA does not require their approval

# Noncompliance Issue with UA

- Management utilizes the PHA Utility Allowance Schedule to determine the Utility Allowance for low-income units.
- The PHA utility Allowance schedule utilized during lease up was published 9/1/22. Using the PHA Utility Allowance Schedule, a gross rent charge was determined, which was only \$3.00 below the Maximum Rents applicable to each low-income unit.
- On 5/1/2023, the PHA published a new utility allowance schedule. The building did not update the utility allowance when published, as the building has not reach 90% occupancy for 90 days.
- On 9/1/23, the building reach 90% occupancy for 90 days, however, the management agent forgot to update the Utility Allowance resulting in Gross Rent Violations for every low-income unit.

# Noncompliance Issue with UA

**Impact Credit Delivery:**



# Bay View



**101**  
**TC -500**

**106**  
**TC -1000**

**102**  
**TC -500**

**107**  
**TC -1000**

**103**  
**TC -500**

**108**  
**TC -1000**

**104**  
**TC -500**

**109**  
**MKT**

**105**  
**MKT**

**110**  
**TC -1000**

Eligible Basis: \$1M  
Applicable Fraction: ~~80%~~ 0%  
Qualified Basis: ~~\$800,000~~ 0%  
Credit %: 9%  
Annual Credit: ~~\$72,000~~ 0%

Minimum Set Aside of 40/60 was not met by deadline

# Common Year-one Noncompliance

- Math Calculations errors
  - Simply something was incorrectly calculated. Addition or subtraction. Not enough eyes looking

# Income Issues

- Verified income not included in calculations
  - Wage Increase
  - Re-occurring bonus
  - Overtime
  - Shift differential
  - Tips

# Income Issues-Bank Statements

- Deposit listed on a bank statement not verified, used in calculations, or accounted for on application documents.
- We find this regularly on move-in approvals where we require one bank statement for each asset account.

# Income Issues

- Median calculation rather than actual average
  - If you take a range of hours worked (2-6 hours a week), add them and divide by 2 ( $2+6/2 = 4$ ), this gives you the middle number with no relation to frequency. Meaning we do not know if the hours were 50 weeks at 2 or 50 weeks at 6.
  - We need an actual average when calculating income in this manner or we use the largest.

# Income Issues-New Job

- When there is a new job and you have a series of pay stubs, the first stubs do not always reflect what is accurate as it often does not always cover full pay periods.
- We use what looks regular moving forward.

# Income Issues-Changes in Pay

- When you look at the pay rate/wage on a range of pay stubs, sometimes you see a raise part-way through the range. That means that if you just average gross income from the stubs, you're artificially lowering calculations because some of those amounts are based on the lower wage that the tenant/applicant isn't getting anymore. For example, 4 pay stubs show \$14.25 as the wage but the 2 most recent show \$15. You're not using "current circumstances" if you just average gross income from the stubs because they don't earn \$14.25. **We take the current wage and apply that to the average hours worked on the stubs to get a more accurate representation.**
- **Remember: Due diligence does impact credit delivery**

# Income Issues- Income limits

- Project used incorrect income limits.
  - Wrong effective date.
  - Wrong Placed In Service Date
  - Used wrong criteria when checking limits. (ie county or year of allocation)
  - Used wrong criteria based on previous allocation. Have seen projects use “held harmless” where not applicable.

# Income Issues- Income limits/HOTMA

- All documents missing for one adult household member at time of move-in.
- When obtained/provided additional sources of income are often discovered.
- Reminder: HOTMA is coming and/or here – very helpful for first year lease-ups!

# Adjusters

# First Year Challenges with Acq-Rehabs

- Unexpected issues identified during rehab
- Rehab Schedule and Tenant Relocation
- Tenant Transfers
- Certification Timeline

# Failure to Achieve Target Fraction in Year-1 (12/31/2023)

Option 1: Defer the credit period to 2024(Line 10a on 8609)

Option 2: Claim starting 2023 and convert to permanent mixed-income

Option 3: Claim in 2023 with 2/3 option

- Impact & Consequences:
  - Project
  - Management
  - Investor
  - Developer

# Financial Impact – Deferral Option

## Terms of the Partnership Agreement

• Projected Eligible Basis:	\$1,000,000
• Target Low-Income %:	100%
• Credit %:	9%
• Timing Adjustment Factor (2023 and 2024):	\$0.95
• Projected Total Credit (10-yr):	\$900,000
• LP interest %:	99.98%
• 10-Yr Credits to LP:	\$899,820
• Projected 2023 Credits:	\$35,993

## Timing Adjuster for 2023

Actual 2023 Credits Delivered:	\$0
Required 2023 Credits per LPA:	<u>\$35,993</u>
Variance (shortfall):	\$(35,993)
Price Per Credit	\$0.95
Reduction of Equity to GP:	\$(34,193)

Additional adjustment may be applicable based on the actual amount delivered in 2024.

Timing Adjuster is often applicable to the first two years of the credit period

# Financial Impact: Convert to Mixed-Income

## Terms of the Partnership Agreement

• Projected Eligible Basis:	\$1,000,000
• Target Low-Income %:	100%
• Credit %:	9%
• Price Paid per Credit:	\$0.95
• Projected Total Credit (10-yr):	\$900,000
• LP interest %:	99.98%
• 10-Yr Credits to LP:	\$899,820

## Actual Deliverable Credits

Eligible Basis:	\$1,000,000
AF reached as of 12/31/23:	<b>80%</b>
Qualified Basis as of 12/31/23:	\$800,000
Credit %:	<u>9%</u>
Annual Credits:	\$72,000
Total Deliverable to LP (10-Yr):	\$719,856
Committed Credits per LPA:	<u>\$899,820</u>
Variance (shortfall):	\$(179,964)
Price Per Credit	\$0.95
Loss of Equity to GP	\$(170,966)

# Financial Impact: 15-Yr Credit Option

## Terms of the Partnership Agreement

- Projected Eligible Basis: \$1,000,000
- Target Low-Income %: 100%
- Credit %: 9%
- Price Paid per Credit: \$0.95
- Projected Total Credit (10-yr): \$900,000
- Timing Adjustment Factor: \$0.85
- LP interest %: 99.98%
- 10-Yr Credits to LP: \$899,820

Prorated Applicable Fraction for 2023: 46.11%  
 Qualified Basis as of 12/31/2023: 80%  
 100% qualified occupancy reached: 1/31/2024

## CREDIT SCHEDULE (LP portion)

		10-yr stabilized	2/3 increase	
1	2023	\$41,491		
2	2024	\$71,986	\$11,998	
3	2025	\$71,986	\$11,998	
4	2026	\$71,986	\$11,998	
5	2027	\$71,986	\$11,998	
6	2028	\$71,986	\$11,998	
7	2029	\$71,986	\$11,998	
8	2030	\$71,986	\$11,998	
9	2031	\$71,986	\$11,998	
10	2032	\$71,986	\$11,998	
11	2033	\$30,495	\$11,998	
12	2034		\$11,998	
13	2035		\$11,998	
14	2036		\$11,998	
15	2037		\$11,998	
		\$ 719,860	\$167,966	Total
				\$887,826

Deliverable credits over a 10-yr period: \$839,836

# Financial Impact – Timing Adjuster (2023)

## YEAR-1 CREDIT

• Eligible Basis:	\$1,000,000
• Target Low-Income %:	100%
• Target Year-1 prorated:	46.11%
• Credit %:	9%
• Adjuster factor per LPA:	\$0.85

Eligible Basis:	\$1,000,000
Year-1 Applicable Fraction:	46.11%
Credit %:	<u>9%</u>
2023 Credit:	\$41,499

Actual Deliverable Credits in 2023:	\$41,499
Projected Year-1 Credits per LPA:	<u>\$0,000</u>
Variance (shortfall):	\$(80,000)

Price Per Credit	\$0.95
Adjustment to equity:	\$(76,000)

# Tips for a Successful Year 1

# Ensuring Year 1 Success

- Very strong/proven management company with experience with the type of lease-up, location, and State HFA
- Know the State HFA policies and procedures, and when in doubt, get answers in writing
- Always remember who this is for, the RESIDENT
- Be flexible in approaches to changing conditions
- Create very robust reporting to manage the lease-up/credit delivery
- Communicate the plan to ALL stakeholders
- File Organization/File Location/File Retention Plan
- Rapid Lease-ups
- Electronic Application Process

# Project X

# Project X

- Minimum Set-Aside: **40/60**
- Target Applicable Fraction: **80%**
- Maximum Credit Allocation: **\$72,000 (Total \$720,000)**
- Investor Commitments
  - Year 1: **\$41,000**
  - Year 2-10: **\$648,000**
  - Year 11: **\$31,000**

Single BIN 9% Project -  
10 Units  
New Construction  
PIS 3/5/23

<b>101</b> TC -500	<b>106</b> TC -1000
<b>102</b> TC -500	<b>107</b> TC -1000
<b>103</b> TC -500	<b>108</b> TC -1000
<b>104</b> TC -500	<b>109</b> M-1000
<b>105</b> M-500	<b>110</b> TC -1000



<b>101</b> <b>TC -500</b>	<b>106</b> <b>TC -1000</b>
<b>102</b> <b>TC -500</b>	<b>107</b> <b>TC -1000</b>
<b>103</b> <b>TC -500</b>	<b>108</b> <b>TC -1000</b>
<b>104</b> <b>TC -500</b>	<b>109</b> <b>M-1000</b>
<b>105</b> <b>M-500</b>	<b>110</b> <b>TC -1000</b>

Eligible Basis: \$1M  
Applicable Fraction: 80%  
Qualified Basis: \$800,000  
Credit %: 9%  
Annual Credit: \$72,000

<b>101</b> TC -500	<b>106</b> TC -1000
<b>102</b> TC -500	<b>107</b> TC -1000
<b>103</b> TC -500	<b>108</b> TC -1000
<b>104</b> TC -500	<b>109</b> M-1000
<b>105</b> M-500	<b>110</b> TC -1000

BIN	Unit	Sq ft	M/TC	Move-in Month
A	101	500	TC	March
A	102	500	TC	April
A	103	500	TC	May
A	104	500	TC	June
A	105	500	M	June
A	106	1000	TC	June
A	107	1000	TC	June
A	108	1000	TC	July
A	109	1000	M	July
A	110	1000	TC	August

Minimum Set Aside of 40/60 is met



**101**  
**TC -500**

**106**  
**TC -1000**

**102**  
**TC -500**

**107**  
**TC -1000**

**103**  
**TC -500**

**108**  
**TC -1000**

**104**  
**TC -500**

**109**  
**M-1000**

**105**  
**M-500**

**110**  
**TC -1000**

### Year 1 Pro-rated Applicable Fraction

		Month	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Totals	
SQ	TC		0	0	0	1000	1500	4000	5000	6000	6000	6000	6000	6000	41500	
	Total		7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	90000	0.461111
Units	TC		0	0	0	2	3	6	7	8	8	8	8	8	58	
	Total		10	10	10	10	10	10	10	10	10	10	10	10	120	0.483333

## Year 1 Pro-rated Applicable Fraction

Year 1 Pro-rated Applicable Fraction															
SQ	Month	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Totals	
	TC	0	0	0	1000	1500	4000	5000	6000	6000	6000	6000	6000	41500	
	Total	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	90000	0.461111
Units	TC	0	0	0	2	3	6	7	8	8	8	8	8	58	
	Total	10	10	10	10	10	10	10	10	10	10	10	10	120	0.483333

### YEAR ONE CREDIT

Eligible Basis: \$1M  
 Year 1 Applicable Fraction: 46.11%  
 Qualified Basis: \$800,000  
 Credit %: 9%  
 First Year Credit: \$41,499

Project X

Compliance Issue #1

# Noncompliance Issue #1

Unit 101 - Initial household certified on 3/12/23.

On 10/1/23, it was discovered that the household was not LIHTC eligible at the time of move-in.

The ineligible household vacated the unit on 11/1/23 and a new qualified household was moved into unit 101 on 11/7/2023. No other units were determined to be out of compliance.

# Noncompliance Issue #1

**Impact Credit Delivery:**

<b>101</b> <b>TC -500</b>	<b>106</b> <b>TC -1000</b>
<b>102</b> <b>TC -500</b>	<b>107</b> <b>TC -1000</b>
<b>103</b> <b>INELIGIBLE</b> <b>TC -500</b>	<b>108</b> <b>TC -1000</b>
<b>104</b> <b>TC -500</b>	<b>109</b> <b>M- 1000</b>
<b>105</b> <b>M- 500</b>	<b>110</b> <b>TC -1000</b>

Unit out of Compliance as of 3/12/23. If unit is not reoccupied by a qualified household by 12/31/23, the unit is not considered Tax Credit and cannot be included as a LIHTC unit when determining applicable fraction



<b>101</b> TC -500	<b>106</b> TC -1000
<b>102</b> TC -500	<b>107</b> TC -1000
<b>103</b> TC -500	<b>108</b> TC -1000
<b>104</b> TC -500	<b>109</b> M-1000
<b>105</b> M-500	<b>110</b> TC -1000

As the unit was occupied by a qualified household prior to the end of the year, there is no impact the BIN's Applicable fraction, BUT it will impact year 1 credit delivery.

YEAR ONE CREDIT	
Eligible Basis:	\$1M
Year 1 Applicable Fraction:	46.11%
Qualified Basis:	\$800,000
Credit %:	9%
First Year Credit:	<del>\$41,499</del>

## Year 1 Pro-rated Applicable Fraction COMPLIANCE ISSUE 1

	Month	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Totals	
SQ	TC	0	0	0	500	1000	3500	4500	5500	5500	5500	6000	6000	38000	
	Total	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	90000	0.422222
Units	TC	0	0	0	1	2	5	6	7	7	7	8	8	51	
	Total	10	10	10	10	10	10	10	10	10	10	10	10	120	0.425

### YEAR ONE CREDIT

Eligible Basis:	\$1M
Year 1 Applicable Fraction:	42.22%
Qualified Basis:	\$800,000
Credit %:	9%
First Year Credit:	\$37,998
<b>Year 1 Shortfall:</b>	<b>\$3,002</b>

## Noncompliance Issue #3

**In November of year two (2024) it was determined that household in unit 104 was not eligible at the time of move-in in June of 2023. The ineligible household moved out on 06/15/24, and management move in a new eligible household on 7/5/2024.**

# Noncompliance Issue #3

**Impact Credit Delivery:**

101 TC -500	106 TC -1000
102 TC -500	107 TC -1000
103 TC -500	108 TC -1000
104 M-500	109 M-1000
105 M-500	110 TC -1000

Eligible Basis:	\$1M
Applicable Fraction:	<del>80%</del> 70 %
Qualified Basis:	<del>\$800,000</del> 70,000%
Credit %:	9%
Annual Credit:	<del>\$72,000</del> \$63,000

Annual Credit Shortfall of \$9,000

## Year 1 Pro-rated Applicable Fraction

	Month	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Totals	
SQ	TC	0	0	0	1000	1500	3500	4500	5500	5500	5500	5500	5500	38000	
	Total	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	90000	0.422222
Units	TC	0	0	0	2	3	5	6	7	7	7	7	7	51	
	Total	10	10	10	10	10	10	10	10	10	10	10	10	120	0.425

### YEAR ONE CREDIT

Eligible Basis:	\$1M
Year 1 Applicable Fraction:	42.22%
Qualified Basis:	\$800,000
Credit %:	9%
First Year Credit:	\$37,998
<b>Year 1 Shortfall:</b>	<b>\$3,002</b>

## Adding Unit After Year 1

Unit 104 was occupied by an eligible household on July 5 of Year 2. Since this unit is being added as a LIHTC after Year 1, this results in an increase from the original Qualified Basis which triggers the “2/3rds Rule”.